

JUNCTION CITY - GEARY COUNTY HEALTH DEPARTMENT
FINANCIAL STATEMENT
WITH INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2014

**JUNCTION CITY-GEARY COUNTY HEALTH DEPARTMENT
JUNCTION CITY, KANSAS**

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Pottberg, Gassman & Hoffman, Chtd.

INDEPENDENT AUDITORS' REPORT

To the Board of Health
Junction City – Geary County Health Department
Junction City, Kansas 66441

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the Junction City – Geary County Health Department (Department), a municipality, as of and for the year ended December 31, 2014, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1 to meet the financial reporting requirements of the State of Kansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of a financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Kansas Municipal Audit and Accounting Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the Department to meet the requirements of the State of Kansas on the basis of the

financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Department, as of December 31, 2014, or changes in financial position and cash flows thereof for the year then ended.

Basis for Qualified Opinion

The *Net Pension Liability* disclosure in footnote 7 was obtained from the Kansas Public Employees Retirement System (KPERS) June 30, 2014 and 2013 audit report. We did not perform any procedures on the net pension liability for KPERS nor the Department's proportionate share of the net pension liability. Consequently, we were unable to determine whether any adjustments to those amounts were necessary.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Department as of December 31, 2014, and the aggregate receipts and expenditures for the year then ended, in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash (basic financial statement) as a whole. The schedule of regulatory basis receipts and expenditures and the schedule of receipts and expenditures--actual and budget (Schedules 1 and 2 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. The accompanying schedule of expenditures of federal awards (see Single Audit Section in the table of contents) is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statement as a whole on the basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2015, on our consideration of the Department's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

Pottberg, Gassman: Hoffman, Chrd.

Pottberg, Gassman & Hoffman, Chartered
Manhattan, Kansas
September 25, 2015

JUNCTION CITY-GEARY COUNTY HEALTH DEPARTMENT

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH

REGULATORY BASIS

FOR THE YEAR ENDED DECEMBER 31, 2014

<u>Funds</u>	<u>Beginning Unencumbered Cash Balance</u>	<u>Prior Year Canceled Encumbrances</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Add Outstanding Encumbrances and Accounts Payable</u>	<u>Ending Cash Balance</u>
Governmental Type Funds:							
General Fund	\$ 1,170,248	-	1,477,231	1,945,473	702,006	129,835	831,841
Total Reporting Entity	\$ 1,170,248	-	1,477,231	1,945,473	702,006	129,835	831,841
Composition of Cash:							
				Cash on Hand			\$ 125
				Checking Accounts			581,716
				Savings Accounts			-
				Certificate of Deposit			250,000
				Total Reporting Entity			\$ 831,841

The notes to the financial statement are an integral part of this statement.

**JUNCTION CITY – GEARY COUNTY HEALTH DEPARTMENT
JUNCTION CITY, KANSAS
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2014**

Note 1- Summary of Significant Accounting Policies

Financial Reporting Entity

On July 1, 1949 the respective commissions of Junction City and Geary County Kansas created the Joint Board of Health per K.S.A. 65-205. Joint Resolution/Ordinance (Geary County Resolution 6192H and Junction City Ordinance S-2515) specifies the organization, operation, jurisdiction, powers and duties of the Joint Board of Health. The Junction City – Geary County Health Department (the Department) offers preventive, educational, environmental and other general health services to the residents of Junction City and Geary County. The Department is primarily supported through federal and state grants, city and county appropriations and client service revenues. The building in which the Department is housed is owned by Geary County, as well as the major furniture and fixtures. Per K.S.A. 65-209 and resolution R-2690 dated July 3, 2012 Junction City gave notice of their intent to withdraw from the Joint Board of Health as of December 31, 2014. The Health Department operations became a part of Geary County as of January 1, 2015.

Fund Accounting

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific regulations, restrictions, or limitations. Certain funds contain restricted cash because their use is limited by debt covenants, statutory requirements, grant requirements or are held in a fiduciary or agency capacity.

The following types of funds comprise the financial activities of the Department for the year of 2014:

General – The General Fund is the main operating fund of the Department. This fund is used to account for all financial resources not accounted for in other funds and is therefore, unrestricted.

Basis of Accounting

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The Kansas Municipal Audit and Accounting Guide (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The Department has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the Department to use the regulatory basis of accounting.

Budgetary Information

The Department is not required to adopt a legal budget. Therefore, no budgetary comparison is prepared as a financial statement. The Board approves an estimated budget each year as required by the Joint Resolution/Ordinance and K.S.A. 82a-628 which is used by management to internally monitor expenditures and is presented as supplementary information in Schedule 2.

**JUNCTION CITY – GEARY COUNTY HEALTH DEPARTMENT
JUNCTION CITY, KANSAS
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2014**

Note 1- Summary of Significant Accounting Policies, continued

Date of Management's Review

Management has evaluated the effects on the financial statement of subsequent events occurring through September 25, 2015 which is the date at which the financial statement was available to be issued.

Note 2 - Deposits and Investments

K.S.A. 9-1401 establishes the depositories which may be used by the Department. The statute requires banks eligible to hold the Department's funds have a main or branch bank in the county in which the Department is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Department has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Department's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Department has no investment policy that would further limit its investment choices.

Concentration of credit risk. State statutes place no limit on the amount the Department may invest in any issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the Department's deposits may not be returned to it. State statutes require the Department's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The Department has no designated "peak periods." All deposits were legally secured at December 31, 2014.

At December 31, 2014, the Department's carrying amount of deposits, including a certificate of deposit, was \$831,841 and the Bank balance was \$1,084,656. The bank balance was held by three banks. Of these bank balances, \$649,760 was covered by federal depository insurance and \$434,896 was collateralized with securities held by the pledging financial institutions' agents in the Department's name. The balance at one bank in excess of federal depository insurance corporation limits was more than 5% of total bank balances resulting in a concentration of credit risk as per GASBS 40, paragraph 11.

Note 3 – Other Long-Term Obligations from Operations

Compensated Absences

The Department's policy is to recognize the costs of compensated absences when actually paid.

Vacation leave:

The Department's policy regarding vacation leave allows employees to accumulate vacation time based on years of continuous service. Full-time employees working at least 37.5 hours per week accrue paid Annual leave time as follows:

**JUNCTION CITY – GEARY COUNTY HEALTH DEPARTMENT
JUNCTION CITY, KANSAS
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2014**

Note 3 – Other Long-Term Obligations from Operations, continued

Years of Employment	Accrual Rate (hours/month)		Maximum Accrual (hours)	
	<u>37.5</u>	<u>40.0</u>	<u>37.5</u>	<u>40.0</u>
Less than one	5.75	6		
1 to 10	9.5	10	150	160
10 to 15	11.25	12	180	192
Over 15	15	16	225	240

With the joint board of health becoming a part of Geary County on January 1, 2015, the Department paid out all of the unused accrued vacation to their employees as of December 2014. The amount of accrued vacation paid was \$23,188.

Sick leave:

Full-time employees working at least 37.5 hours per week will earn sick leave pay as follows:

Years of Employment	Accrual Rate (hours/month) with no max. accrual	
	<u>37.5</u>	<u>40.0</u>
Less than one year	3.75	4
After one year	7.5	8

Upon retirement, an employee is paid for one-third of the accrued leave up to a maximum of 60 days. There was only one retirement payout in 2014.

Note 4 – Grants

The Department receives a substantial amount of its support from federal, state and local grants. A significant reduction in the level of this support, if this were to occur, may have an effect on the Department's programs and activities. Grants and awards require the fulfillment of certain conditions as set forth in each grant agreement. There were no grant advance dollars with restrictions at December 31, 2014. Failure to fulfill the conditions could result in the return of the funds to the grantor. Although that is a possibility, the Board deems the contingency remote.

Note 5 – Deferred Compensation Plan

The Department offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code section 457. The plan is administered by Nationwide Retirement Solutions. The plan is available to all employees, and permits them to defer a portion of their salary until future years. The plan is owned by each employee personally but contributions ended as there would be no more eligible compensation.

Note 6 – Litigation

There were no legal actions involving the Department as of December 31, 2014.

**JUNCTION CITY – GEARY COUNTY HEALTH DEPARTMENT
JUNCTION CITY, KANSAS
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2014**

Note 7 – Defined Benefit Pension Plan

Plan description. The Department participates in the Kansas Public Employees Retirement System (KPERS) a cost-sharing, multiple-employer defined benefit pension plan as provided by Kansas law. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. Those reports may be obtained by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy. K.S.A. 74-419 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate at 5% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. Kansas law provides that employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates.

Net Pension Liability. The total pension liability for KPERS was determined by an actuarial valuation as of December 31, 2013, which was rolled forward to June 30, 2014. As of June 30, 2014, the net pension liability for KPERS was \$8,291,794,910. KPERS has determined the Department's proportionate share of the net pension liability is \$669,464 as of June 30, 2014. The complete actuarial valuation report including all actuarial assumptions and methods is publicly available on the website at www.kpers.org or can be obtained as described in the first paragraph above.

Note 8 – Risk Management

The Junction City – Geary County Health Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Department has been unable to obtain property and liability insurance at a cost it considered to be economically justifiable. For this reason, the Department through Geary County joined together with other counties in the State to participate in Kansas County Association Multi-Line Pool (KCAMP), a public entity risk pool currently operating as a common risk management and insurance program for participating members.

Geary County pays an annual premium to KCAMP for its property and liability insurance coverage. The agreement to participate provides that KCAMP will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of the self-insured amount for each insured event. Additional premiums may be due if total claims for the pool are different than what has been anticipated by KCAMP management. The Department reimburses Geary County for its portion of the workers compensation premium. Geary County carries commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

Note 9 – Compliance

The Department was in compliance with the Joint Resolution/Ordinance amended September 19, 2005 concerning the basis of accounting and auditing of grants as of December 31, 2014.

SUPPLEMENTAL INFORMATION

JUNCTION CITY-GEARY COUNTY HEALTH DEPARTMENT

SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014

GENERAL FUND

Receipts:

Grants	\$ 908,703
City - County Appropriations	370,093
Client Receipts	63,320
Contract Services	12,965
Health Insurance Receipts	18,807
School Reimbursements	22,250
Medicaid Reimbursements	47,522
Medicare Reimbursements	25,767
Donations	2,534
Rent	100
Other Reimbursements and Miscellaneous Receipts	1,785
Interest	3,385
Total Receipts	<u>1,477,231</u>

Expenditures:

Advertising	10,621
Airfare	504
Auto and Truck	3,270
Bank Service Charges	1,417
Building Maintenance	27,050
Capital Expenditures	30,499
Clothing Allowance	500
Community Health Assessment	3,167
Computer Expenses	123,387
Contract Services	12,973
Daycare	585
Dues	457
Educational / Promotional	10,128
Equipment Maintenance and Repair	11,686
Equipment Rental	5,759
Insurance - Bonding	380
Insurance - Disability	2,996
Insurance - Health	134,554
Insurance - Life	1,259
Janitorial	58,100
Laboratory Fees	712
Legal and Accounting	31,250
Lodging	5,470
Medical Supplies	43,745
Mileage	3,913
Miscellaneous	2,927
Office Supplies	17,964
Subtotal	<u>545,273</u>

The notes to the financial statements are an integral part of this statement.

JUNCTION CITY-GEARY COUNTY HEALTH DEPARTMENT

SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014

GENERAL FUND

Expenditures from page #9	\$ 545,273
Payroll Taxes	72,807
Postage	4,603
Printing	1,066
Professional Services	18,000
Registration and Fees	8,946
Reimbursement to Junction City	86,765
Rent	45,516
Resource Material	369
Retirement	87,522
Salaries	1,006,242
Subscriptions	2,721
Subsistence	2,192
Supplies	19,535
Taxi Service	3,761
Telephone	9,349
Utilities	24,657
Workers Compensation	6,149
Total Expenditures	<u>1,945,473</u>
Receipts Over (Under) Expenditures	(468,242)
Unencumbered Cash, January 1	<u>1,170,248</u>
Unencumbered Cash, December 31	<u><u>\$ 702,006</u></u>

The notes to the financial statements are an integral part of this statement.

JUNCTION CITY-GEARY COUNTY HEALTH DEPARTMENT

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2014

<u>GENERAL FUND</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Receipts:			
Grants	\$ 908,703	781,260	127,443
City - County Appropriations	370,093	383,718	(13,625)
Client Receipts	63,320	64,022	(702)
Contract Services	12,965	11,100	1,865
Health Insurance Receipts	18,807	10,500	8,307
School Reimbursements	22,250	22,250	-
Medicaid Reimbursements	47,522	40,500	7,022
Medicare Reimbursements	25,767	15,500	10,267
Donations	2,534	800	1,734
Rent	100	1,000	(900)
Other Reimbursements and Miscellaneous Receipts	1,785	250,000	(248,215)
Interest	3,385	4,500	(1,115)
Total Receipts	<u>1,477,231</u>	<u>1,585,150</u>	<u>(107,919)</u>
Expenditures:			
Advertising	10,621	4,500	6,121
Airfare	504	2,000	(1,496)
Auto and Truck	3,270	4,300	(1,030)
Bank Service Charges	1,417	1,300	117
Building Maintenance	27,050	2,000	25,050
Capital Expenditures	30,499	30,000	499
Clothing Allowance	500	600	(100)
Community Health Assessment	3,167	10,000	(6,833)
Computer Expenses	123,387	1,000	122,387
Contract Services	12,973	12,500	473
Daycare	585	250	335
Dues	457	1,000	(543)
Educational / Promotional	10,128	19,500	(9,372)
Equipment Maintenance and Repair	11,686	2,500	9,186
Equipment Rental	5,759	5,000	759
Insurance - Bonding	380	350	30
Insurance - Disability	2,996	2,800	196
Insurance - Health	134,554	153,000	(18,446)
Insurance - Life	1,259	1,200	59
Insurance - Malpractice and Liability	-	700	(700)
Janitorial	58,100	30,300	27,800
Laboratory Fees	712	13,000	(12,288)
Legal and Accounting	31,250	13,750	17,500
Lodging	5,470	4,500	970
Medical Supplies	43,745	49,900	(6,155)
Mileage	3,913	3,500	413
Miscellaneous	2,927	-	2,927
Office Supplies	17,964	14,500	3,464
Subtotal	<u>545,273</u>	<u>383,950</u>	<u>161,323</u>

The notes to the financial statements are an integral part of this statement.

JUNCTION CITY-GEARY COUNTY HEALTH DEPARTMENT

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2014

<u>GENERAL FUND</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Expenditures from page #11	\$ 545,273	383,950	161,323
Payroll Taxes	72,807	71,325	1,482
Postage	4,603	6,500	(1,897)
Printing	1,066	4,000	(2,934)
Professional Services	18,000	14,400	3,600
Reimbursement to Junction City	86,765	-	86,765
Registration and Fees	8,946	8,245	701
Rent	45,516	21,600	23,916
Resource Material	369	300	69
Retirement	87,522	87,430	92
Salaries	1,006,242	923,700	82,542
Subscriptions	2,721	3,500	(779)
Subsistence	2,192	3,750	(1,558)
Supplies	19,535	15,000	4,535
Taxi Service	3,761	2,200	1,561
Telephone	9,349	8,650	699
Utilities	24,657	24,000	657
Workers Compensation	6,149	6,600	(451)
Total Expenditures	<u>1,945,473</u>	<u>1,585,150</u>	<u>360,323</u>
Receipts Over (Under) Expenditures	<u>\$ (468,242)</u>	<u>-</u>	<u>(468,242)</u>

The notes to the financial statements are an integral part of this statement.

SINGLE AUDIT SECTION

JUNCTION CITY-GEARY COUNTY HEALTH DEPARTMENT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Grant Number	Federal Expenditures
U.S. Department of Agriculture			
Passed Through Kansas Department of Health and Environment			
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	WIC FFY 14 WIC FFY 15	\$ 238,773 86,772
Total U.S. Department of Agriculture			<u>325,545</u>
U.S. Department of Labor			
Passed Through Heartland Works, Topeka, KS			
WIA Youth Activities	17.259	SFY 14 SFY 15	6,485 15,351
Total U.S. Department of Labor			<u>21,836</u>
U.S. Department of Health and Human Services			
Passed Through Kansas Department of Health and Environment			
Public Health Emergency Preparedness	93.069	PHEP 13-14 PHEP 14-15	15,988 14,445
			<u>30,433</u>
Family Planning Services	93.217	SFY 14 SFY 15	42,236 40,196
			<u>82,432</u>
Immunization Cooperative Agreements	93.268	IAP 14 IAP 15	4,397 4,483
			<u>8,880</u>
Child Care and Development Block Grant	93.575	SFY 14 SFY 15	7,262 6,393
			<u>13,655</u>
Medical Assistance Program	93.778	HF SFY14 HF SFY15 TP TCM SFY 14 TP TCM SFY 15	33,976 25,830 20,250 18,534
			<u>98,590</u>
Maternal and Child Health Services Block Grant to States	93.994	SFY 14 SFY 15	18,552 17,660
			<u>36,212</u>
Total U.S. Department of Health and Human Services			<u>270,202</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 617,583</u></u>

JUNCTION CITY – GEARY COUNTY HEALTH DEPARTMENT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS **FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of Junction City – Geary County Health Department (the Department) under programs of the federal government for the year ended December 31, 2014. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Department, it is not intended to and does not present the financial position or changes in the financial position of the Department.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported using the accounting practices prescribed by the State of Kansas to demonstrate compliance with the regulatory basis of accounting, the same basis as the financial statement accompanying this schedule, with one exception, encumbrances are not included in the schedule.



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF A FINANCIAL STATEMENT PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Health
Board of Geary County Commissioners
Geary County, Kansas

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Kansas Municipal Audit and Accounting Guide*, the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash of Junction City – Geary County Health Department (Department) as of and for the year ended December 31, 2014, and the related notes to the financial statement, which collectively comprise the Department's basic financial statement and have issued our report thereon dated September 25, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statement will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with

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certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pottberg, Gassman & Hoffman, Chtd.

Pottberg, Gassman & Hoffman, Chartered
Manhattan, Kansas
September 25, 2015



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE OF ITS MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133**

To the Board of Health
Board of Geary County Commissions
Geary County, Kansas

Report on Compliance for the Major Federal Program

We have audited the Junction City – Geary County Health Department's (Department) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on the Department's major federal program for the year ended December 31, 2014. The Department's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to its major federal program.

Auditor Responsibility

Our responsibility is to express an opinion on compliance for the Department's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; *Kansas Municipal Audit and Accounting Guide*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program occurred. An audit includes examining, on a test basis, evidence about the Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Department's compliance.

Opinion on the Major Federal Program

In our opinion, the Junction City – Geary County Health Department complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2014.

Report on Internal Control over Compliance

Management of the Department is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Department's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with *OMB Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance; such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of *OMB Circular A-133*. Accordingly, this report is not suitable for any other purpose.

Pottberg, Gassman & Hoffman, Chtd.

Pottberg, Gassman & Hoffman, Chartered
Manhattan, Kansas
September 25, 2015

JUNCTION CITY–GEARY COUNTY HEALTH DEPARTMENT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS **FOR THE YEAR ENDED DECEMBER 31, 2014**

SECTION I – SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses a qualified opinion on the financial statement of Junction City – Geary County Health Department due to the Net Pension Liability described in Note 7.
2. No material weaknesses were identified in the **Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statement Performed in Accordance with Government Auditing Standards.**
3. No instances of noncompliance or other matters material to the financial statement of Junction City – Geary County Health Department were required to be reported under *Government Auditing Standards*.
4. No material weaknesses were identified in the **Independent Auditor's Report on Compliance of its Major Program and on Internal Control over Compliance Required by OMB Circular A-133.**
5. The auditors' report on compliance for the major federal award program for the Junction City – Geary County Health Department expresses an unmodified opinion.
6. There were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 in this schedule.
7. The program tested as a major program was US Department of Agriculture, Special Supplemental Nutrition Program for Women, Infants and Children, WIC Program CFDA 10.557.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. The Junction City – Geary County Health Department qualified as a low-risk auditee.

SECTION II – FINANCIAL STATEMENT AUDIT FINDINGS

None reported.

SECTION III – MAJOR FEDERAL AWARD PROGRAM FINDINGS AND QUESTIONED COSTS

None reported.

SECTION IV – SUMMARY OF PRIOR AUDIT FINDINGS

None reported.



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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Board of Health
Board of Geary County Commissioners
Geary County, Kansas

We have audited the fund summary statement of regulatory receipts, expenditures, and unencumbered cash balances of the Junction City – Geary County Health Department (Department) as of and for the year ended December 31, 2014, and have issued our report thereon dated September 25, 2015. Professional standards require that we provide you with the following information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB Circular A-133 as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 15, 2014 and in a meeting with the Geary County Commissioners on July 27, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Department are described in Note 1 to the financial statement. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2014. We noted no transactions entered into by the Department during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statement in the proper period.

Accounting estimates are an integral part of the financial statement prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statement and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statement was:

The KPERS net pension liability in Note 7. This liability will be assumed by Geary County as the Health Department employees transfer their pension benefit from one municipal entity to another.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing the audit.

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Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. During the audit, \$212,096 of adjusting entries having the effect of decreasing fund balances by \$121,013 were recommended. These entries were made to adjust fund balance to the prior year, record encumbrances, reclassify the return of funds to Junction City and reclassify community health assessment expenses. An attached schedule shows the adjusting entries approved by management.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 25, 2015.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Department's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statement (separate fund schedules and the single audit section), we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with the regulatory basis laws of the state of Kansas, the *Kansas Municipal Audit and Accounting Guide*, *Government Auditing Standards*, and the OMB Circular A-133, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statement. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statement or to the financial statement itself.

This information is intended solely for the use of the Board of Health, Board of Geary County Commissioners, management of the Junction City – Geary County Health Department and the Kansas Department of Administration, Municipal Services and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Pottberg, Gassman & Hoffman, Chtd.

Pottberg, Gassman & Hoffman, Chartered
Junction City, Kansas
September 25, 2015

Junction City - Geary County Health Depa Adjusting Journal Entries

		Date				SS1 9/22/15	
Reference	Type	Account Number	Description	Debit	Credit	Net Income Effect	Workpaper
AJE1	Adjusting	12/31/14					
		10					
		580-000000	REVENUE-CITY APPROPRIATI		86,765.00		
		785-000000	GRANT MONEY REFUNDS	86,765.00			
			Reclassify Return of Funds to Junction City			0.00	
AJE2	Adjusting	12/31/14					
		465-000000	FUND BALANCE	1,151.00			
		790-000000	INSURANCE-HEALTH		1,151.00		
			Adjust Fund Balance to Prior Year			1,151.00	
AJE3	Adjusting	12/31/14					
		30.2					
		827-000000	RENT	22,678.00			
		760-000000	ADVERTISING	2,550.00			
		782-000000	EQUIPMENT MAINTENANCE &	2,552.00			
		777-000000	COMPUTER SOFTWARE	31,830.00			
		783-000000	EQUIPMENT RENTAL	432.00			
		802-000000	LEGAL/ACCOUNTING	14,950.00			
		799-000000	JANITORIAL	26,567.00			
		767-000000	BUILDING MAINTENANCE	19,454.00			
		200-000000	Accounts Payable		121,013.00		
			Record Encumbrances			(121,013.00)	
		TOTAL		208,929.00	208,929.00	(119,862.00)	
					3,167		
					212,096		